



Auditor of Public Accounts
Mike Harmon

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Contact: **Michael Goins**
Michael.Goins@ky.gov
502.564.5841
502.209.2867

Harmon Releases Audit of Hickman County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2015 financial statement of Hickman County Clerk James Berry. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the revenues, expenditures and excess fees of the Hickman County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

As part of the audit process, the auditor must comment on non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comment:

The county clerk's office lacks adequate segregation of duties. A review of internal controls procedures at the Hickman County Clerk's office revealed an inadequate segregation of duties for the accounting functions of the office. By not properly segregating the accounting functions, public funds are at risk of being misappropriated which could lead to, at a minimum, inaccurate financial reporting.

Good internal controls dictate that certain accounting functions be performed by several different employees to provide reasonable assurance the financial activity is properly accounted for and accurately reported.

This material weakness is present because the clerk's duties include collecting fees, batching receipts, preparing daily checkout sheets and deposits, preparing and signing checks, posting transactions to the receipts and disbursements ledgers, and preparing monthly bank reconciliations and quarterly reports.

In order to achieve a proper segregation of duties, the clerk should assign different employees to be responsible for preparing daily deposits, recording transactions, and monthly bank reconciliations. If it is not feasible to segregate these duties, the clerk should implement compensating controls such as a) comparing bank deposits to the daily collection reports, b) reviewing monthly bank reconciliations, and c) comparing quarterly financial reports to bank deposits and ledgers. All compensating duties performed should be documented with the date and initials for the employee performing the review.

County clerk's response: Small office, small staff.

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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